

CALENDAR

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Misuse of cash, missing works

A city audit finds the Long Beach Museum of Art spent money that was to pay debt.

By DEBORAH SCHOCH
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A new city audit released this week raises thorny questions about management of the Long Beach Museum of Art, including what it calls the improper spending of \$1.6 million in restricted funds earmarked to pay off bonds for the museum's \$6.5-million expansion.

A second portion of the audit, due next month, is expected to document that some works of art are missing from the 3,000-piece collection of the city-owned museum just east of downtown Long Beach.

Two works by Russian artist Alexej Jawlensky, part of the museum's most valuable collection, are missing, museum executive director Ron Nelson said Wednesday. The abstract portraits, part of the museum's Wichner Collection, were together appraised at \$150,000 in 1999 but are likely worth at least \$200,000 to \$300,000 apiece today. They appear to have gone missing after a 2000 tour to Paris, Nelson said.

The museum director said he could not provide a total number of pieces that were missing, adding, "It's a very small amount" of the museum's total collection. Also unaccounted for are an empty picture frame and posters. "I'm not minimizing it, but they don't hold the value we're [See Long Beach, Page E7]



LUIS SINCO Los Angeles Times
MUSEUM: Bond money helped finance its overhaul.

[Long Beach, from Page E1] looking at" with the Jawlenskys, Nelson said.

The former executive director, Harold B. Nelson (no relation to the current director), was pushed out of his position in late 2006, after 17½ years on the job. Knut Thune, the museum's finance director, was terminated earlier.

A complete inventory of museum pieces will be completed in July, said City Auditor Laura L. Doud, who began her audit in 2007 after the current museum management contacted the city with concerns about funds to pay off city bonds.

The financial portion of the audit has found that museum managers improperly spent \$1,588,000 in restricted money to finance day-to-day expenses. That money was supposed to help pay off \$3,060,000 in city bonds by the September 2009 due date; only \$388,000 is left in that account, the audit states.

The museum has failed to raise enough money for the repayment, and it inappropriately spent capital, campaign money earmarked for that payment on daily business operations, it states. Museum managers, moreover, have no formal plans in place to obtain those funds in time to meet the 2009 deadline, it says.

Doud's office turned up more bad financial news during its audit of museum records: "While conducting field work, we became aware of serious issues, such as misappropriation of assets, lack of oversight of internal controls and conflict of interest that we believe contributed to the existing condition of the Capital Campaign," the audit states.

Records contained evidence of inappropriate spending, such as altered bank deposit receipts, cash advances to employees and paperwork show-

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ing that Thune used his company credit card to pay for airline tickets for relatives and other non-business expenses.

"We did come across an environment where there were not proper internal controls in place to reduce the risks for improper activities like this, and to protect the city's assets," Doud said in an interview. "One of the lessons learned in this exercise and this audit is the importance of having internal controls."

Museum's 'jewels' missing

Doud said she was especially concerned because the \$3.06 million in bonds are backed by the city's general fund.

"In these really tough financial times, our general fund is under enormous pressure," she said. "We don't have a lot of reserves."

The new museum management worked closely with her office, Doud said.

The missing Jawlenskys are from the museum's highly valued collection of 35 paintings by the Russian artist, acquired in 1979 with a gift of 61 European Modernist works from the estate of attorney Milton Wichner. Although the Norton Simon Museum in Pasadena has a larger Jawlensky holding

— 148 pieces — the Long Beach donation was a coup, with the Jawlensky works as the highlight.

The Long Beach museum, which frequently displays examples of his paintings, published a catalog on the artist in 1991 in conjunction with a large exhibition that included loans from other collections. In 2002, when the museum opened another show — "Icons for a New Era: The Spiritual Abstractions of Alexej Jawlensky," featuring 21 pieces from its collection — then-director Harold Nelson praised Jawlensky as "a magnificent artist" and said that his paintings "are among the jewels of our collection." Although best known for intensely colored portraits that reduce faces to an essence of human emotion, Jawlensky "found rich variety in subtle variations of a similar image," Nelson said.

The bond money helped finance a sweeping makeover of the museum property, including a new 12,000-square foot building that opened in 2000. The existing Craftsman main house with brown wood shingles was renovated, and a cafe and museum shop were added. Other projects included renovation of the carriage house and the addition of a parking lot and landscaping.

The museum is owned by the city and managed by the Long Beach Museum of Art Foundation. The audit will be reviewed by the Long Beach City Council on Tuesday.

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